



Furloughs Preliminary Report

LEOFF Plan 2 Retirement Board

April 28, 2010

Issue

- Members who take voluntary or involuntary unpaid leave as a result of the current economic condition, may have their retirement benefit adversely affected if it occurs during their final average salary (FAS) period.

Background

- As of June 2009, 21 states have implemented or will soon be forced to implement furloughs.
- Most states' pension benefits could be adversely impacted.
- Legal challenges to furloughs.

Legislation

- SB 6157 – Furloughs
- ESSB 6503 – Closing of State Agencies

SB 6157 – Passed 2009

- PERS Plans 1, 2 & 3 only
- DRS to implement
- Must be a direct result of an effort by the employer to reduce costs during the 2009-11 fiscal biennium only

ESSB 6503 – Passed 2010

- Includes all other retirement plans
- Applies to state agencies and institutions only
- Must be a direct result of an effort by the employer to reduce costs during the 2009-11 fiscal biennium only

Summary

- Creates the potential for a reduction in a member's pension benefit calculation if the furlough occurs during the FAS period
- Creates inconsistencies between members with different employers.

Policy Options

- Propose legislation to ensure LEOFF Plan 2 members do not have their pensions reduced because of furloughs
- Coordinate with Select Committee on Pension Policy

Furloughs

QUESTIONS?